



Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed
Councilmember Sam Liccardo
Councilmember Nancy Pyle

**SUBJECT: SPECIAL EVENT SERVICES
AND COSTS**

DATE: 4/9/10

Approved

Chuck Reed *Nancy Pyle* *Sam Liccardo*

Date

4-9-10

RECOMMENDATION

Approve both the recommendations in the original Staff Memorandum and Staff's March 26, 2010 supplemental memorandum, with the following addition, which was discussed and approved at the March 22nd Community and Economic Development meeting:

1. Grant the City Manager the immediate authority to, at her discretion, deviate from the Council Policy on "full cost recovery" for events to avoid the cancellation of an event that would generate more net new incremental city tax revenue than it would cost in city fees, or where unreasonable incongruities exist in the current fee schedules.
2. Return to Community & Economic Development Committee in the Fall with criteria identifying events or circumstances to guide the City Manager's use of her discretion. The criteria might include:
 - a. Revenue generated to the General Fund, Parking Fund, and other City funds
 - b. Economic impact
 - c. Attendance levels
 - d. Longstanding successful event history
 - e. Publicity event brings to the City
 - f. Proven record of safe management
 - g. Unique to San Jose

and with recommendations on how we might apply a scaled City service cost for these events, or a method of recovering costs from revenues received.

BACKGROUND

Increasingly, we have heard concerns from event producers that the rising cost of City fees, shrinking City grants, and declining sponsorship revenue have made it difficult for organizations to continue to produce events. Event producers are in a dire 2010-2011 event season, and several will not go forward. A recent casualty, the 2010 America Festival, faced City fees that jumped 60% from 2008. Once cancelled, they are not likely to return in subsequent years.

In several cases, the events' operations generate significantly more revenue to the City—and enormously more economic impact—than the City collects in fees. For example, six events—the Rock n' Roll Marathon, San Jose Jazz, Tapestry Arts, ZerO1, the Mariachi Festival, and Tour of California--incurred approximately \$174,000 in City costs that were billed to event producers in 2006 and 2007, yet they generated an additional \$1.4 million in sales tax, transit occupancy tax, and Parking Fund revenue for the City. That fails to mention the estimated \$22.5 million in economic impact generated from unique visitors to our City at those events each year.

Due the Council's policy of "full cost recovery" and its mechanical application, the City insists on imposing increasing fees *even where doing so would leave the City's taxpayers worse off*.

Those purely fiscal concerns understate the significance of many of these events to our efforts to market the San José brand, build community in our neighborhoods, express the diversity of our cultures and religions, and raise critical funds for community-serving nonprofits.

We sincerely appreciate the diligent efforts of our Office of Cultural Affairs staff, which continues exploring opportunities to shave costs for events in the coming year. We encourage them to push forward with their efforts. We also encourage Council to take action in September of 2010 on a scaled approach to fees, when many event producers need to make decisions about summertime events in 2011.